




PEOPLES CREDIT JEWELLERS LIMITED

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ANNUAL REPORT



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PEOPLES CREDIT JEWELLERS LIMITED

directors

BERTRAND GERSTEIN, chairman

MARVIN GERSTEIN

IRVING R. GERSTEIN

officers

BERTRAND GERSTEIN
chairman of the board

MARVIN GERSTEIN
president

IRVING R. GERSTEIN
executive vice-president

BRUCE E. SMITH
vice-president, finance & treasurer

JAMES A. HENRY
vice-president, operations

MARVIN C. GORD
vice-president, merchandising

G. B. EISENBERG
*vice-president, corporate
development*

IRWIN KOFFMAN
secretary

head office

181 YONGE STREET, TORONTO, CANADA

transfer agent

CANADA PERMANENT TRUST COMPANY,
1901 YONGE STREET, TORONTO, CANADA

PEOPLES CREDIT JEWELLERS LIMITED

EIGHTY-FOUR STORES AS AT JANUARY 31, 1970

	<u>P.C.J.</u>	<u>Mappin's</u>	<u>MacKenzie's</u>	<u>Leased Departments</u>	<u>Coronet Card Shops</u>
BELLEVILLE				1	
BRAMPTON	1				
BURLINGTON	1	1			
CALGARY	1		2		
CLARKSON	1				
EDMONTON	6				
HALIFAX	2				
HAMILTON	1				1
KINGSTON	2			1	
LETHBRIDGE	1		1		
LONDON	1			1	
MONCTON	2				
MONTREAL	9	2			
MOOSE JAW	1		1		
NANAIMO	1				
NEW WESTMINSTER	1				
OAKVILLE	1				
OTTAWA	2			3	
PETERBOROUGH	1			1	
PRINCE ALBERT			1		
REGINA	1		2		
SARNIA	1			1	
SASKATOON	1		1		
SAULT STE. MARIE				1	
THUNDER BAY		2*			
TORONTO	4			3	2
VANCOUVER	3	2			
VICTORIA	1				
WELLAND				1	
WINDSOR	2			1	
WINNIPEG	4				
TOTAL	<u>52</u>	<u>7</u>	<u>8</u>	<u>14</u>	<u>3</u>

* Operated under the name of Birks Stitt Credit Jewellers

PEOPLES CREDIT JEWELLERS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The accompanying Financial Statements of your Company for the year ended January 31, 1970, are submitted on behalf of the Board of Directors. Sales for the year were \$25,566,000, an increase of \$3,944,000 or 18.2% over the previous year. Net Income for the year was \$1,010,000, an increase of \$22,700. Earnings per Class "A" and Common Share for the year, after the payment of Preferred Dividends and based on the monthly weighted average number of shares outstanding, were \$1.31 compared with \$1.36 per share for the previous year restated on a comparable basis. Dividends declared upon the Capital Stock of the Company during 1969 were 10¢ quarterly for a total of 40¢ per share on both the outstanding Class "A" and Common Shares. Working capital during the year decreased \$276,000. As usual, the greater part of the earnings has been retained for investment in the further development of the Company. During the last half of the year and particularly during the last quarter, economic conditions combined with upward pressures on operating costs, including record high interest rates resulted in reduced income, offsetting to a great extent the gains achieved and reported in the first two Quarterly Reports to Shareholders.

During the year, the company acquired J. Alex MacKenzie Limited, a chain of eight fine jewellery stores operating in Western Canada under the name "MacKenzie's". In September 1969, the store assets of Strohan-Gaudet Jewellers in Prince Albert were acquired and merged with the MacKenzie store there and now operates as "MacKenzie-Gaudet Credit Jewellers". Also during the year, six traditional stores in Shopping Centres were opened; in Halifax (our second), in Moncton (our second), two in Metropolitan Toronto in Brampton and Clarkson (bringing our total to six), in Winnipeg (our fourth) and in Vancouver (our fourth). In addition, Mappin's continued its expansion programme with the opening in Vancouver of two Mappin's stores, one in Park Royal Shopping Centre in West Vancouver and a second in the Lougheed Mall in Burnaby, the second regional shopping centre in which two complementary jewellery stores are operated by your Company. Thus, your Company further expanded by a total of sixteen stores during the year.

As at January 31, 1970 your Company operates eighty-four retail stores. Thirteen new store openings are scheduled for 1970, seven traditional stores, two Mappin's stores and four Coronet Card Shops. A significant feature of this year's program is that your Company will be operating three complementary stores in each of two regional shopping centres.

The thanks of the Company are due to the more than 1200 full-time and part-time employees across Canada whose loyalty and devotion have played no small part in the successful efforts that have been achieved during the year.

Respectfully submitted on behalf of the Board.

BERTRAND GERSTEIN,
Chairman of the Board.

Toronto, May 5th, 1970.

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CONSOLIDATED BALANCE SHE

with comparative

ASSETS

CURRENT ASSETS	1970	1969
Cash and deposit receipt	\$ 70,651	\$ 1,059,911
Accounts receivable (note 2)	8,228,892	7,870,293
Merchandise, valued at cost or market, whichever is the lower	5,978,712	5,468,753
Prepaid expenses	81,396	84,166
TOTAL CURRENT ASSETS	14,359,651	14,483,123
OTHER		
Notes receivable from shareholders (note 4)	1,264,267	486,250
FIXED ASSETS — at cost		
Buildings	3,320,012	2,863,671
Furniture and fixtures	3,818,278	3,264,094
Automobiles	99,701	79,599
	7,237,991	6,207,364
LESS: Accumulated depreciation	3,921,542	3,566,666
	3,316,449	2,640,698
Land	2,365,273	1,809,490
Leasehold improvements, at cost less amortization	499,265	417,878
TOTAL FIXED ASSETS	6,180,987	4,868,066
On behalf of the Board		
Bertrand Gerstein, <i>Director</i>		
Marvin Gerstein, <i>Director</i>		
	\$21,804,905	\$19,837,439

(the accompanying notes are an

WELLERS LIMITED

(In accordance with the laws of Canada)

Companies

AS AT JANUARY 31, 1970

figures for 1969

LIABILITIES

CURRENT LIABILITIES	1970	1969
Bank indebtedness (note 2)	\$ 3,289,063	\$ 3,147,414
Accounts payable	1,372,277	1,266,282
Income and other taxes payable	279,977	558,206
Dividends payable	74,527	70,970
Instalments on long-term debt due within one year	425,042	245,000
TOTAL CURRENT LIABILITIES	5,440,886	5,287,872
DEFERRED INCOME TAXES	85,500	15,000
LONG-TERM DEBT (note 3)	3,301,995	2,965,000

SHAREHOLDERS' EQUITY

CAPITAL STOCK

AUTHORIZED:

	SHARES
6% cumulative redeemable first preferred shares, each of \$100 par value	12,890
4% non-cumulative redeemable second preferred shares, each 10¢ par value	10,000,000
Class "A" non-voting, participating shares without nominal or par value	750,000
Common shares without nominal or par value	375,000

ISSUED:

6% first preferred (1969—8,525)	7,886	788,600	852,500
Class "A" shares (note 4) (1969—485,800)	521,370	1,667,663	732,717
Common shares	223,900	84,233	84,233
		<u>2,540,496</u>	<u>1,669,450</u>

RETAINED EARNINGS	10,436,028	9,900,117
TOTAL SHAREHOLDERS' EQUITY	12,976,524	11,569,567
	<u><u>\$21,804,905</u></u>	<u><u>\$19,837,439</u></u>

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PEOPLES CREDIT JEWELLERS LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED JANUARY 31, 1970

with comparative figures for 1969

	1970	1969
Sales	\$25,566,148	\$21,621,926
<i>Deduct:</i>		
Cost of merchandise sold and all other expenses except those listed below	22,603,372	18,978,319
Depreciation and amortization	328,781	268,572
Interest on long-term debt	233,727	208,596
Interest on bank indebtedness	251,192	64,081
	<u>23,417,072</u>	<u>19,519,568</u>
INCOME before provision for income taxes	2,149,076	2,102,358
Provision for income taxes	1,139,000	1,115,000
NET INCOME for the year	<u>\$ 1,010,076</u>	<u>\$ 987,358</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED JANUARY 31, 1970

with comparative figures for 1969

	1970	1969
RETAINED EARNINGS — beginning of year	\$ 9,900,117	\$ 9,242,214
<i>Add:</i>		
Net Income for the year	1,010,076	987,358
	<u>10,910,193</u>	<u>10,229,572</u>
<i>Deduct:</i>		
Dividends — preferred shares	45,707	52,375
— class "A" shares	207,991	187,520
— common shares	89,560	89,560
Excess of the cost of the shares of subsidiary over the net tangible assets at date of acquisition (note 1)	130,907	—
	<u>474,165</u>	<u>329,455</u>
RETAINED EARNINGS — end of year	<u>\$10,436,028</u>	<u>\$ 9,900,117</u>

(the accompanying notes are an integral part of these statements)

PEOPLES CREDIT JEWELLERS LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JANUARY 31, 1970

with comparative figures for 1969

	1970	1969
Funds were provided from:		
Operations:		
Net income for the year	\$ 1,010,076	\$ 987,358
Add: Expenses which do not require an outlay of funds:		
Depreciation and amortization	328,781	268,572
Deferred income taxes	47,500	15,000
	1,386,357	1,270,930
Issue of Class "A" shares	934,946	564,250
Mortgages on purchase of real property and notes issued on acquisition of subsidiary	630,024	—
Working capital on acquisition of subsidiary	350,557	—
Payments on notes due from shareholders	16,983	—
Reduction of 5% refundable tax	—	42,111
TOTAL FUNDS PROVIDED	3,318,867	1,877,291
Funds were applied to:		
Purchase of land and buildings	725,000	—
Purchases of other fixed assets (net)	555,549	586,532
Notes receivable from shareholders	795,000	486,250
Investment in subsidiary	675,000	—
Reduction of long-term debt	437,646	245,000
Dividends	343,258	329,455
Redemption of first preferred shares	63,900	55,800
TOTAL FUNDS APPLIED	3,595,353	1,703,037
Increase (decrease) in working capital	(276,486)	174,254
Working capital — beginning of the year	9,195,251	9,020,997
Working capital — end of the year	\$ 8,918,765	\$ 9,195,251

(the accompanying notes are an integral part of these statements)

AUDITORS' REPORT

To the Shareholders
Peoples Credit Jewellers Limited

We have examined the consolidated balance sheet of Peoples Credit Jewellers Limited and subsidiary companies as at January 31, 1970, and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated statements present fairly the financial position of the companies as at January 31, 1970, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 29, 1970

Clarkson, Gordon & Co.
Chartered Accountants

PEOPLES CREDIT JEWELLERS LIMITED

and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1970

1. CONSOLIDATION

The accompanying consolidated statements include the accounts of all subsidiaries.

On May 14, 1969 the Company acquired all of the outstanding shares of J. Alex MacKenzie Limited and related companies for \$675,000 payable in cash, notes due 1970 to 1972 and Class "A" Shares. The excess of the consideration paid over the underlying net tangible assets at date of acquisition of \$130,907 has been written off to consolidated retained earnings. Earnings are included in the consolidated statement of income only from the date of acquisition.

2. ACCOUNTS RECEIVABLE

Accounts receivable have been pledged as security for bank indebtedness and are shown net of the following:

	1970	1969
Allowance for doubtful accounts	\$469,000	\$458,000
Unearned service charges	\$361,000	\$367,000

3. LONG-TERM DEBT

	1970	1969
6.25% Debenture due June 30, 1981 repayable in annual instalments of \$245,000	\$2,965,000	\$3,210,000
7.50% Note Payable due May 15, 1972 repayable in annual instalments of \$160,514	481,542	—
7% — 9.25% Mortgages Payable due 1974 to 1983	280,495	—
	3,727,037	3,210,000
Less current instalments included in current liabilities	425,042	245,000
	<u>\$3,301,995</u>	<u>\$2,965,000</u>

Amounts due on the payment of long-term debt in each of the next five years are as follows: 1970 — \$425,000, 1971 — \$426,000, 1972 — \$428,000, 1973 — \$269,000, 1974 — \$259,500.

The note payable was issued and the mortgages payable were assumed in connection with the purchasing of J. Alex MacKenzie Limited and related companies and are secured by charges on the properties acquired through this purchase.

The Debenture is secured by a floating charge on the Company's properties. Under the agreement securing the Debenture, there are various restrictions affecting the payment of dividends. At the end of the year approximately \$2,500,000 (1969 — \$2,000,000) of consolidated retained earnings were free of restrictions and available for payment of dividends.

4. CAPITAL STOCK

During the year the Company issued 35,570 Class "A" shares as follows:

- 5,570 shares were issued for \$139,946 as part of the consideration for the purchase of all the outstanding shares of J. Alex MacKenzie Limited.
- 10,000 shares under the Executive Stock Purchase Plan and 20,000 shares under the Select Employees Stock Acquisition Program were offered, fully subscribed and issued for \$795,000 payable in annual instalments to 1979. All of the 60,000 shares authorized to date under these plans have been fully subscribed and issued.

5. OTHER INFORMATION

Remuneration paid during the year to the Company's directors amounted to \$138,524. Remuneration of directors and senior officers of the Company, as defined under The Securities Act, 1966 (Ontario), for the year amounted to \$244,984.

6. COMMITMENTS

A number of the Company's store locations are held on leases entered into for periods from five to twenty years. Most of these leases are for fixed rentals; some, in addition, contain percentage-of-sales clauses. The minimum annual rentals payable under all such leases currently in force totals \$782,000 and actual rentals in the year amounted to \$1,067,000.

